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From: "Jamie Byrne" <jbyrne@youtube.com>
Cc: "Shashi Seth" <shashis@google.com>, "Jordan Hoffner" <jhoffner@google.com>, "Jeff Dejele" <jdejele@youtube.com>
Bcc:
Received Date: 2007-05-20 20:12:32 CST
Subject: [Fwd: Latest 2007-2009 Forecasts for Search & In-Streaming]

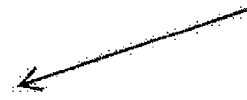
David:

You should have received these updated projections on Friday from Jeff Dejele.

We are pretty comfortable with these updated numbers.

Please let us know if anything is not clear with these revised projections.

The one caveat I would issue is that if we are able to open up watch pages to monetization through video fingerprinting and user-partner type programs, the monetization potential of watch changes significantly. Ultimately I think we will solve these problems, but these projections stand under current conditions.

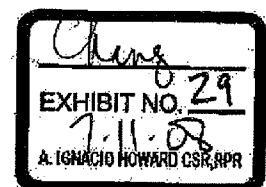


Thanks,

Jamie

Attachments:

Latest 2007-2009 Forecasts for Search - In-Streaming.eml



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From: "Jeff DeJelo" <jdejelo@youtube.com> 2-0002
Cc: "Jamie Byrne" <jbyrne@youtube.com>, "shashis@google.com" <shashis@google.com>, "Suzie Reider" <sreider@youtube.com>, "Wendy Chang" <wchang@google.com>, "Tracy Patrick Chan" <tracyc@google.com>
Bcc:
Received Date: 2007-05-18 16:57:53 CST
Subject: Latest 2007-2009 Forecasts for Search & In-Streaming

Hi David,

Per your request via Jamie and Shashi (and also our meeting last week with Wendy / Tracy), attached is the most recent 2007-2009 projections for search results and in-streaming monetization. At the bottom of the email, I provided some assumption details. The total 3-year revenue for these opportunities is almost \$1.1BN (\$878MM for search results and \$200MM for partner / CYC content).

As you may have guessed, we're not going to hit \$1BN after 18 months with search and in-streaming (well, maybe after 30 months). To get there, we would have to include forecasts for PYV (I see plenty of upside here), programs / contests (~\$5MM to \$10MM per year), front-page sales (\$25MM to \$30MM per year) and direct sales from international. After I get back from vacation (starting May 24, ending June 2), the team will begin work on re-forecasting Q3 and Q4 (currently, the forecast is \$20MM and \$30MM, respectively) as well as 2008 revenues. #1) We'll need it for our business review with Tim, and #2) Tracy will need to upload our 2008 forecasts in the system by mid-June.

As always, please let me know if you have any questions. However, I am on a plane *today between 12pm and 5pm PST* to attend my father's 60th birthday in Cleveland. Since my parents are blue-collar folks, I won't have online access *until Saturday morning* when I'll have to find free WiFi. If you need to call me, *my cell phone is [REDACTED]*. Of course, I'll have my crack-berry with me at all times.

Thank you,

Jeff

P.S. I did a little bit more investigation on Yahoo and its \$20.00 CPM (per Dave Goldberg). Please be aware that this is the *gross CPM* that does NOT take into account % monetizeable videos (i.e., 60%) and % sell thru rates (i.e., 60%). Also, this price represents the *traditional 15-30 pre-roll with companion banners near the player*. Therefore, Yahoo's eCPM for in-streaming ads for video is over \$7.00 (the apples-to-apples driver in our model is eCPM of ~\$8.50 in 2009).

Partner Content Assumptions

Total 3-year revenue is \$200MM (compared to \$160MM in the previous version of the model). I projected that monetization using in-streaming begins October 2007. Also, I raised the eCPM to ~\$8.50 in 2009 and included the user revenue share program. As in the prior version of the model, we are assuming that NBC, CBS and Turner are signed partners. The forecasted 2% of total video views also includes CYC.

Search Results Monetization Assumptions

Total 3-year revenue is \$878MM (compared to \$950MM in the prior version of the model). While the inventory of search PVs decreased from my last version of the model (now represents ~45% of site video views), eCPM on search results pages increased to ~\$2.20 in 2009 (compared to \$1.25 in the prior version). Also, I adjusted upward some of the watch page assumptions to reflect the March-May numbers that we did not have previously. For details on CPM and STR assumptions by video and display, please see below.

As one way of sanity checking this \$878MM over 3-years, I reverse-engineered the number of pods projected to sell YouTube. For Search on YouTube today, our team (Tress, Flaherty, Keri and Sam/Jen) have each averaged about \$200K per month selling search. Using this as a starting point, I sanity checked the revenue numbers by implying the number of pods selling YouTube. According to my assumptions, the number of pods in the field selling YouTube search is almost 40 after one-year. By end of 2009, the revenue numbers imply just over 100 pods selling YouTube. Based on the long-term Janus guidance that I've heard, this seemed reasonable to me. However, the implication is that the search PVs on the site will be almost 80% sold out by the end of 2009 (the remaining 20% to be monetized via remnant display).

PVA on search

- * 10% STR after 10 months of launch
- * After April 2008, 1% STR increase per month as more and more agencies / marketers become accustomed to creating PVAs for the YouTube community
- * Reaches 30% by the end of 2009
- * Gross CPM starts at \$8.00 (which is \$1.00 below rate-card), increasing 2% MoM due to better targeting
- * Reaches \$14.00 by end of 2009 (this is the current target CPM on the rate-card after several tiers of targeting)

CTP on search

- * Assumed half the STR as the PVA (5% after 10 months of launch), due to limited inventory of CTP ads in the Google network
- * Reaches over 10% by the end of 2009
- * Gross CPM starts at \$0.80 based on Google's site targeting statistics, increases 2% MoM
- * Reaches almost \$1.50 by end of 2009

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Direct display on search 300x250

- * Currently, STR for each of the 160x600 and 728x90 ad unit is 10%
- * With the 300x250, there's now only 1 ad unit and a more desirable one for marketers
- * Reaches 20% STR by the end of 2007, reaches 45% by end of 2009
- * Yahoo's sell thru rate on its media properties for "Class 1" banners (like the 300x250) is currently between 40% and 65%.
- * Gross CPM starts at \$4.00 (which is \$3.00 below rate-card), increases 2% MoM
- * Reaches almost \$7.00 by end of 2009

Remnant on 300x250 on search

- * Averages \$500K per month for domestic display
- * International inventory on .com includes run-of-site display and CTP

Jeff Dejele

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Attachments:

Monetization Meeting_Financial -5-17-07- v2.ppt

Financial Estimates for Scaleable Monetization Units



With the migration of 1,200 partners from Google Video and content agreements with NBC, CBS and Turner, the 3-year in streaming revenue opportunity is approximately \$200 million

Including approximately \$30-\$40 million per year in sponsored contests and programs as well as front-page PVA sales, total YouTube.com revenue over three years is approximately \$1.2 billion

To monetize the search results pages over the same 3-year period is over a \$875 million opportunity

(\$ in mm)

	2007 Quarterly		Annual		3-Year Total
	Q3	Q4	2007	2008	
In Streaming Revenue Opportunity					
In Streaming Revenue Opportunity	\$0.0	\$9.2	\$9.2	\$71.7	\$118.3
					\$199.3

Search Results Monetization Opportunity

Domestic Video Ads Revenue	\$2.7	\$4.9	\$7.7	\$73.6	\$265.3	\$346.5
Domestic Display Ads Revenue	3.9	7.5	11.4	110.2	245.9	367.5
Domestic Ads Revenue	\$6.7	\$12.4	\$19.1	\$183.8	\$511.1	\$714.0
International Ads Revenue (Remnant)	1.6	2.8	4.5	37.2	122.4	164.9
Search Results Monetization Opportunity	\$8.3	\$15.3	\$23.5	\$221.0	\$633.5	\$878.0

Key Metrics

Overall — avg. video views per day (in mm)	550	732	493	1,232	1,896	—
% Growth	38.5%	33.0%	—	150.1%	53.9%	—
Search Results — avg. page views per day (in mm)	220	293	212	494	760	—
% of Video Views (Site + Embedded)	40.0%	40.1%	43.0%	40.1%	40.1%	—
Partner Content — avg. video views per day (in mm)	6.7	13.3	10.0	24.7	38.0	—
% of Overall	1.2%	1.8%	2.0%	2.0%	2.0%	—
eCPM — In Streaming	\$0.00	\$7.56	\$5.03	\$7.96	\$8.54	—
eCPM — Search Results Monetization	\$0.41	\$0.57	\$0.50	\$1.22	\$2.28	—

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